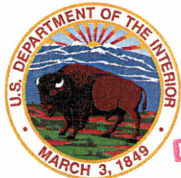


RECEIVED

C025/005 Incoming
CC: Steve C. R
April

MAY 02 2012 U.S. DEPT. OF THE INTERIOR
OFFICE OF SURFACE MINING
DIV OF OIL, GAS, & MINING Mine Site Evaluation
State Program



1. Permittee/Person ALTON COAL DEVELOPMENT LLC		9. Permit Number ACT025005	10. Permit Type PP
2. Address 463 N. 100 W., SUITE 1		11. Field Visit Date 4/4/2012 <small>mm - dd - yyyy</small>	12. Purpose OC
3. City CEDAR CITY		13. SRA Present Y	
4. State UT		14. Permit Status A	15. Site Status AP
5. Zip Code 84720	6. Phone Number (435) 867-5331	16. Facility Type A	
7. Operator Name, if Different than Permittee		17. OSM Office # 140	18. CCID #
8. Mine Name COAL HOLLOW MINE		19. Land Code S	
		20. M.S.H.A. ID # 42-02519	21. State Abbrev. UT
		22. County/Burrough KANE	
		23. AVS Permittee Entity ID Number 247248	24. State Office

25. Hours

4.0	a. Permit Review
5.0	b. Site Visit Time
20.0	c. Travel Time
3.0	d. Report Writing

26. Signature Block

Christine Belka
Signature:
Christine Belka, ID#182
Printed Name:
Date: **4/19/2012**

27. Reviewing Official:

Kenet Walker
Signature:
Review Date: **4-19-12**
mm - dd - yyyy
Is Supplemental MSE Page Used Y/N **Y**

Permit Type - Item 10 IP = Interim Program PP = Permanent Program NP = No Permit

Purpose Type Codes - Item 12

Oxx...Oversight
Axx...AssistanceRFxx...Reclamation Fees
Fxx...Federal ActionsCCR...Citizen Complaint Referral (non-site visit)
CC...Citizen Complaint (initial site visit)
CCF...Assistance

Joint Inspection - Item 13 A joint inspection is when a state inspector accompanies an OSM inspector at any time during the review of the mine site

Permit Status - Item 14

A Active: Coal mining activities occurring or permitted but not yet disturbed.
IN Inactive (Permanent Program Permit): Phase II completed or Temporary Cessation of Operations. (Interim Program Permit): Coal mining completed and reclamation activities initiated.
BR Bond Release: Reclamation completed and State Regulatory Authority(RA) has released all of the bond (Phase III Release).

AB Abandoned: All surface and underground coal mining activities have ceased and operator has left the site without completing reclamation as defined in 30 CFR 840.11(g).
AB1 Bond Forfeiture: Bond forfeiture officially in process or completed and reclamation in progress or not yet commenced.
AB2 Partially Reclaimed Forfeiture: Forfeited site where all bonds have been used to reclaim site, but site not reclaimed to Program standards.
AB3 Reclaimed Forfeiture: Forfeited site that has been reclaimed to Program standards.
NA Not Applicable: When site is unpermitted.

Site Status - Item 15

ND No Disturbance: No coal mining and reclamation operations have been started.
EX Coal Exploration: Coal exploration operations have started and where coal mining operations have not begun.
AP Active Coal Producing: Coal surface mining activities are occurring.
AN Active Non-Producing: Active non-producing facility such as tipple or preparation plant.
NM No Mining: The Permit Status is active, site is not in Temporary Cessation, no surface coal mining activity, and site not regraded.

MC Mining Complete: No mining activity on site, site regraded and awaiting bond release.
TC Temporary Cessation: The RA has granted cessation of mining pursuant to 30 CFR 816/817.13(b).
P1 Phase I Release: At least Phase I bond release granted for entire permitted area. For interim permits, partial bond release.
P2 Phase II Release: At least Phase II bond release for the entire permitted area.
P3 Phase III Release: Reclamation completed and the RA has released all bond.

NS Non-Site Visit: Status of site not determined.
FP Forfeiture Pending: The RA is pursuing actions to revoke the permit, collect the performance bond(s), and/or reclamation of forfeited site is in progress.
FR Forfeited and Reclaimed: Forfeiture reclamation completed.
FO Abandoned Site: Abandoned site that is permitted but there is no bond.
WC Wildcat: Coal mining and reclamation operations have or are taking place and the activity is not covered by the required permits from the RA.

Facility Type Codes - Item 16

A...Surface
B...Underground
C...Preparation Plant

D...Ancillary (Haulroad, Conveyor, and/or Rails)
E...Refuse and/or Impoundment
F...Loading Facility and/or Tipple
G...Stockpiles

H...Exploration Permits
I...Notice of Intent to Explore
J...Exempt 16 and 2/3

K...Government Financed Construction Exemption
L...Remining site permitted under 30 CFR 785.25

Small Business Regulatory Enforcement Fairness Act (SBREFA)

Your Comments are Important

The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about Federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you are a small business (a business with 500 or fewer employees including those of affiliates) and wish to comment on the enforcement or compliance activities of OSM, call 1-888-REG-FAIR (1-888-734-3247).

U.S. DEPT. OF THE INTERIOR
OFFICE OF SURFACE MINING
Mine Site Evaluation

Permittee/
Person ALTON COAL DEVELOPMENT LLC

Permit
Number ACT025005

Field Visit
Date 4/4/2012

State Program
Continuation Page

28. Performance Standard Categories

Codes: 1=Compliance, 2=Noncompliance, 3=Not Planned, 4=Not Started, 5=Noncompliance Identified Elsewhere, 6=Previously Cited, 7=Permit Defect

A. Administrative

1. 1 Mining within Valid Permit
2. 1 Mining within Bonded Area
3. 1 Terms & Conditions of Permit
4. 1 Liability Insurance
5. 1 Ownership and Control
6. Temporary Cessation
7. AML Rec. Fees - Non-Respondent
8. AML Rec. Fees - Failure to Pay

B. Hydrologic Balance

1. 1 Drainage Control
2. 1 Inspections & Certifications
3. Siltation Structures
4. Discharge Structures
5. 1 Diversions
6. 1 Effluent Limits
7. Ground Water Monitoring
8. Surface Water Monitoring
9. Drainage - Acid-Toxic Materials
10. 5 Impoundments
11. 1 Stream Buffer Zones

C. Topsoil & Subsoil

1. 1 Removal
2. Substitute Materials
3. 1 Storage and Protection
4. Redistribution

D. Backfilling & Grading

1. Exposed Openings
2. Contemporaneous Reclamation
3. Approximate Original Contour
4. Highwall Elimination
5. Steep Slopes (includes downslope)
6. Handling of Acid and Toxic Materials
7. Stabilization (rills and gullies)

E. Excess Spoil Disposal

1. 1 Placement
2. Drainage Control
3. Surface Stabilization
4. 1 Inspections & Certifications

F. Coal Mine Waste (Refuse Piles/Impoundments)

1. Drainage Control
2. Surface Stabilization
3. Placement
4. Inspections & Certifications
5. Impounding Structures

G. Use of Explosives

1. 1 Blaster Certification
2. Distance Prohibitions
3. Blast Survey/Schedule
4. Warnings & Records
5. 1 Control of Adverse Effects

H. Subsidence Control Plan

I. Roads

1. 1 Road Construction
2. Certification
3. Drainage
4. 1 Surfacing and Maintenance
5. Reclamation

J. Signs & Markers

1. 1 Signs
2. 1 Markers

K. Distance Prohibitions

L. Revegetation

1. Vegetative Cover
2. Timing

M. Postmining Land Use

N. Other
General
Performance
Category

Performance Standard Categories 30 CFR Counterparts

A. Administrative

1. Valid Permit 773.11
2. Mining within Bonded Area 773.11
3. Terms & Conditions of Permit 773.17
4. Liability Insurance 800.60
5. Ownership and Control 778.13
6. Temporary Cessation 842.11(e) & 816/817.131
7. AML Rec. Fees - Non-Respondent 870.15(b)
8. AML Rec. Fees - Failure to Pay 870.15(a)

B. Hydrologic Balance (816/817.41-57)

1. Drainage Control 45
2. Inspections & Certifications 49(a)(10)
3. Siltation Structures 46
4. Discharge Structures 47
5. Diversions 43
6. Effluent Limits 42
7. Ground Water Monitoring 41(c)
8. Surface Water Monitoring 41(e)
9. Drainage-Acid - Toxic Materials 41(f)
10. Impoundments 49
11. Stream Buffer Zones 57

C. Topsoil & Subsoil (816/817.22)

1. Removal 22(a)
2. Substitute Materials 22(c)
3. Storage and Protection 22(c)
4. Redistribution 22(d)

D. Backfilling & Grading (816/817.95-107)

1. Exposed Openings 816/817.13, 14, 15, & 823.11 & 21
2. Contemporaneous Reclamation 100
3. Approximate Original Contour 102(a)(1)
4. Highwall Elimination 102(a)(2)
5. Steep Slopes (includes downslope) 107
6. Handling of Acid & Toxic Materials 102(c)
7. Stabilization (rills and gullies) 95(b)

E. Excess Spoil Disposal (816/817.71-74)

1. Placement 71(e)
2. Drainage Control 71(f)
3. Surface Stabilization 71(g)
4. Inspections & Certifications 71(h)

F. Coal Mine Waste (Refuse Piles/Impoundments) (816/817.81-84)

1. Drainage Control 83(a)
2. Surface Stabilization 83(b)
3. Placement 83(c)
4. Inspections and Certifications 83(d)
5. Impounding Structures 84

G. Use of Explosives (816/817.61-68)

1. Blaster Certification 61(c)
2. Distance Prohibitions 61(d)
3. Blast Survey/Schedule 62-64
4. Warnings & Records 66 & 68
5. Control of Adverse Effects 67

H. Subsidence Control Plan (817.121-122)

I. Roads (816/817.150-151)

1. Road Construction 150(c)
2. Certification 151(a)
3. Drainage 150(b)-151(d)
4. Surfacing and Maintenance 150(e)-151(d)
5. Reclamation 150(f)

J. Signs & Markers (816/817.11)

1. Signs 11(a),(b), & (c)
2. Markers 11(a),(b),(d),(e), & (f)

K. Distance Prohibitions (761.11)

L. Revegetation (816/817.111-116)

1. Vegetative Cover 111 & 116
2. Timing 113

M. Postmining Land Use (816/817.133)

OSM Action

- 1) Deferred to State Action
- 2) TDN Issued
- 3) NOV Issued
- 4) FTA-CO Issued
- 5) IH-CO Issued
- 6) ID-CO Issued (Imminent Danger to Public)
- 7) Previously cited by RA, abatement pending
- 8) Abated during or before OSM inspection
- 9) Follow-up of Federal Action
- 0) Off-site impact with no violation

Off-Site Impacts

- For each type of impact and resource affected, enter "N, D, or J" to describe the degree of off-site impact:
- N - Minor Occurrence
 - D - Moderate Occurrence
 - J - Major Occurrence

Mine Site Inspection

Mine Name: Coal Hollow Mine

Permittee: Alton Coal Development LLC.

Permit ID #: C/025/0005

Inspection Date: April 4, 2012 10:00 – 3:00

Weather Conditions: Mild, clear, dry ground conditions

Participants:

April Abate, Division of Oil, Gas, and Mining (DOGM)

Christine Belka, Office of Surface Mining Reclamation and Enforcement (OSMRE) #182

Steve Christensen, DOGM

Paul Clark, OSMRE

Amanda Daniels, DOGM

Ken Hoffman, DOGM

Karl Houskeeper, DOGM

Larry Johnson, Alton Coal Development LLC (ACD)

Brent Means, OSMRE

Kirk Nicholes, ACD

Field Evaluation

This was a complete oversight inspection. Coal Hollow is an active coal producing surface mine.

Ongoing Activities: Alton Coal Development (ACD) is currently mining Pit 5. The upper portion (approximately 2') of the coal seam is higher in sulphur, so ACD stockpiles that coal separately. Coal is transported away from the mine site via truck. ACD is constructing the excess spoil fill within the footprint permitted for this activity.

Hydrology/Sediment Control:

Pond 1 was holding water but not discharging at the time of inspection. ACD recently conducted rill repair on the pond embankments. Embankments appear stable. The Pond 1 discharge culvert is Utah Pollutant Discharge Elimination System (UPDES) outfall 001.

Pond 1B was holding water but not discharging at the time of inspection. ACD removed a section of silt fence south of the pond (see photo 6807). Sediment control is still necessary in the area. Please install sediment control of some type (silt fence, straw wattles, vegetation, etc.). The discharge culvert is UPDES outfall 001B.

Pond 2 was holding a small amount of water but not discharging at the time of inspection. A water pump was on site to collect water for dust suppression, but it was not running. The pond has two inlets, one of which is located immediately adjacent to the pond discharge structure (see photos 6808 and 6809). This type of pond design does not allow adequate residence time for suspended solids to settle, commonly referred to as "short circuiting the pond." This is especially problematic due to the high clay content in area spoils (suspended clays require a longer residence time to settle). The drainage basin

appears to be a relatively small area, easily lending itself to several potential solutions. ACD could attempt to connect this channel to the eastern inlet diversion in Pond 2, connect it to the Pond 3 inlet diversion, or even apply to DOGM for a small area exemption under R645-301-742.240 (this statement does not guarantee approval). The Pond outlet structure is UPDES outfall 002.

ACD employs combination primary and emergency spillway discharge structures. The structures on Ponds 1, 1B, and 2 are oversized riser culverts. Pond 3 has an open channel spillway. DOGM may have erred in approving the closed-channel combination principal and emergency spillways at Coal Hollow. Combination spillways are meant to be open channel (R645-301-742.223). Open channel spillways allow water in excess of the design event (25-year / 6-hour storm event) to discharge without compromising the integrity of the impoundment.

Pond 3 was holding water but not discharging at the time of inspection. This pond has an open channel spillway. The discharge structure is UPDES outfall location 003. This pond is receiving more water than originally anticipated because ACD pumps pit water to the pond in addition to the surface runoff the pond collects. ACD has encountered more water in the pit than anticipated in its Probable Hydrologic Consequences. ACD may need to expand the pond or construct another pond in series to provide adequate residence time for the quantity of water the pond receives. Any such activity must be submitted to DOGM as a permit revision application prior to construction.

ACD has not yet constructed Pond 4. This pond will report to the Sink Valley Wash → Kanab Creek. All other pond outfalls report to the Lower Robinson Creek.

ACD rerouted a portion of the Lower Robinson Creek. This Lower Robinson Diversion is eroding. ACD already submitted a permit revision to rip rap the northeastern portion of the channel. The southwestern portion of the channel is also down-cutting and would benefit from rip rap (see photo 6811). Pond 5 used to be at the northeastern-most (upstream) location along this diversion. ACD removed this pond, and disturbed area runoff is no longer routed through the diversion. UPDES outfall location 005 was at the Pond 5 outfall. Because no disturbed area runoff reports to this diversion, it is not necessary to monitor flows under UPDES.

Diversion Ditch 2 is separated into two sections; DD2A and DD2B. The upper portion, DD2A, routes undisturbed runoff to the Lower Robinson Creek. The lower portion, DD2B, routes disturbed area runoff to Pond 2. Vegetation is sparse along the diversion embankments and the area would benefit from supplemental seeding.

In the event of a pond discharge, ACD collects water samples in laboratory-prepared containers. Containers are placed in a cooler and sent for laboratory analysis. Pond discharge is an infrequent occurrence in this arid environment.

Roads: Mine roads generally appear well-maintained. A flat area east of the haul road near Pond 1 lacks berms / sediment control. ACD staff indicated that all runoff would still report to Pond 2 via Diversion Ditch 2. The area does need sediment control structures to ensure drainage is routed in the appropriate direction.

Soil Resources: ACD has created berms around topsoil and subsoil stockpiles, seeded the piles (with limited success, though it is early in the year), placed vegetative slash on top of stockpiles, and placed markers to ensure staff recognize and handle stockpile locations appropriately.

Blasting: ACD did not conduct blasting operations during the inspection. Questions about blasting records arose during the records check (see below).

Facilities Areas: The facilities area is orderly and well-maintained.

Signs and Markers: The mine identification sign at the entrance from the county road contains all required information (name, phone number, address, permit number). Stream buffer zone signs are in place along the Lower Robinson Creek. Topsoil and subsoil markers are in place on soil stockpiles.

Records Check:

- DOGM permit approved 10/19/09 but delayed, issued 11/8/10 (5 year term).
- ACD liability insurance includes required coverage (explosives, \$1M each occurrence, \$2M aggregate), policy expires 6/1/2012.
- Discharge Monitoring Reports on file through 4th quarter of 2011. Outfall 2 discharged in March 2011, Outfall 3 discharged in March & April 2011, Outfall 5 discharged in October & November 2011.
- Excess spoil inspection conducted by Dan Guy, P.E. on 9/26/2011 and 12/15/2011, reports issued 9/30/2011 and 12/15/2011.
- Certified pond inspections conducted by Dan Guy, P.E. on 9/26/2011 and 12/15/2011 (reports issued 9/30/2011 and 12/15/2011 for Ponds 1, 1B, 2, 3. (Pond 4 not constructed yet, ACD removed Pond 5 approximately one month prior to this inspection).
- Blasting records were on file; however they were drastically different from other blasting records I've reviewed. I could not discern quantity of explosives per hole, quantity of explosives detonated per 8 millisecond delay, stemming, time signature delay patterns (Blasts 2 & 3 only, blast 1 included delay time signatures), or diameter and depth of holes. Blast 1 was conducted 11/18/2011, Blast 2 was conducted 1/15/2011, Blast 3 was conducted 2/28/2012. ACD contracts certified blasters to conduct blasting operations.
- DOGM inspection reports on file (10/1/08 through 2/23/2012)
- No haul road or pond certifications on site, requested ACD maintain a copy of those files here.
- Bond documentation not maintained on site, requested ACD maintain a copy of those files here. Mining Phase 1 cost calculation: \$5,346,000, Phase 2: \$10,859,000, Phase 3: \$10,889,000. ACD is currently in Phase 1. ACD reported its bond amount is currently \$6,045,000 (surety #1057708), and provided documentation of a surety bond from Lexon Insurance Company (LX-031620) in the amount of \$7,800,000.00. This exceeds the currently calculated liability.

Closeout issues noted:

- Pond 2 is short circuited. Please explore your options for redesigning the western inlet to allow adequate residence time.

- A section of silt fence south of Pond 1B is missing. Sediment control is still necessary in the area. Please install sediment control of some type (silt fence, straw wattles, vegetation, etc.).
- The flat area east of the haul road near Pond 1 requires berms / diversions to ensure drainage is routed to Pond 2.
- ACD already submitted a permit revision to rip rap the northeastern portion of the Lower Robinson Diversion channel. The southwestern portion of the channel is also down-cutting and would benefit from rip rap.
- Several areas need reseeding such as around Pond 1B, topsoil and subsoil stockpiles, around Diversions 2A and 2B, etc. These areas are relatively small and work could be done by hand.
- Blasting records appear incomplete. Please review blasting record requirements at R645-301-524.700 through -524.800 with your contract blasters.
- No haul road or pond certifications on site, please maintain a copy of those files here.
- Bond documentation not maintained on site, please maintain a copy of those files here.

No enforcement actions were taken as a result of this inspection.

I&E Inspection Photos

Permit: ACT025005

Inspection Date: 4/4/2012

Permittee: ALTON COAL DEVELOPMENT LLC



Notes:

Photo ID: 6806

Photographer: SM/CBELKA

Date Taken: 4/4/2012

State: UT

County: KANE

Latitude: 0372422

Longitude: 1122716

Subject: COAL STOCKPILES, HIGH SULPHUR MATERIAL ON LEFT

Mine Name: COAL HOLLOW MINE



Notes:

Southwest of Pond 1B

Photo ID: 6807

Photographer: SM/CBELKA

Date Taken: 4/4/2012

State: UT

County: KANE

Latitude: 0372422

Longitude: 1122716

Subject: SILT FENCE REMOVED, SEDIMENT CONTROL NEEDED

Mine Name: COAL HOLLOW MINE

I&E Inspection Photos

Permit: ACT025005

Inspection Date: 4/4/2012

Permittee: ALTON COAL DEVELOPMENT LLC



Notes:

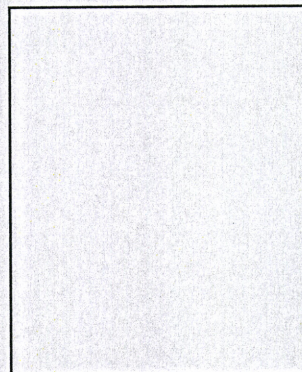


Photo ID: 6808

Photographer: SMICBELKA

Date Taken: 4/4/2012

State: UT

County: KANE

Latitude: 0372422

Longitude: 1122716

Subject: POND 2 INLET ADJACENT TO OUTLET STRUCTURE

Mine Name: COAL HOLLOW MINE



Notes:

Pond 2 inlet diversion adjacent to outlet riser culvert.

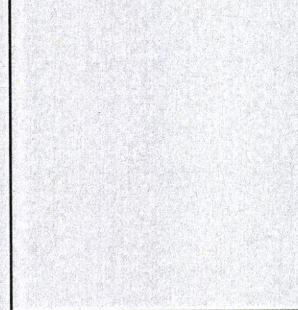


Photo ID: 6809

Photographer: SMICBELKA

Date Taken: 4/4/2012

State: UT

County: KANE

Latitude: 0372422

Longitude: 1122716

Subject: SHORT CIRCUITED POND

Mine Name: COAL HOLLOW MINE

I&E Inspection Photos

Permit: ACT025005 Inspection Date: 4/4/2012

Permittee: ALTON COAL DEVELOPMENT LLC



Notes:

As noted, combo principal & emergency spillways are generally open-channel. DOGM may have erred in approving Pond 1, 1B, and 2 spillway designs.

Photo ID: 6810

Photographer: SMCBELKA

Date Taken: 4/4/2012

State: UT

County: KANE

Latitude: 0372422

Longitude: 1122716

Subject: POND 1B ONLY SPILLWAY IS CLOSED-CHANNEL

Mine Name: COAL HOLLOW MINE



Notes:

ACD has submitted a permit revision to rip rap the northeastern portion of this channel. The southwestern portion requires stabilization as well.

Photo ID: 6811

Photographer: SMCBELKA

Date Taken: 4/4/2012

State: UT

County: KANE

Latitude: 0372422

Longitude: 1122716

Subject: LOWER ROBINSON CREEK DIVERSION ERODING

Mine Name: COAL HOLLOW MINE